



GAP ANALYSIS INTEREST GROUPS AND PRODUCERS

ETHIOPIA

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FINAL REPORT



STUDY COMMISSIONED BY BERSMP PROGRAMME AND CONDUCTED
BY MATCH MAKER ASSOCIATES LIMITED (MMA)



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1.0 INTRODUCTION

From the 16th of January Match Makers Associates, a Tanzanian based consultancy organization, was signed up for a four months business mentoring for the BERSMP project in Ethiopia (Bale and West-Arsi region). The program ended on the 15th of May. The assignment focused on the forest products honey, coffee and bamboo and eco-tourism. They were selected due to their potentiality, which came out of several consultancy reports conducted for BERSMP. A crucial part of the program was to build the business capacity of the interest groups, the project staff and the governmental counterparts from the Bale Forrest Enterprise. So a tailor made business mentoring/ training program was designed to do exactly that. A month after the training many groups, hereby most groups who followed the training, were visited for a mentoring session. This was done as to give the training an important follow-up. To make the training/mentoring more effective, it was held in the different Woreda. The first training was conducted in Dello-Mena (due to the relative short distance between Hareenna Bulluk and Dello Mena, the participants from Hareenna Bulluk came to Dello Mena), the second in Goba and the last in Nensebo. For the business mentoring, the different groups were individual visited in the different Woreda.

The training was divided in three parts: first a two day TOT (training of trainers). With the goal to train the representatives of the different organization - i.e. from the Bale Forest Enterprise, BERSMP, cooperatives and micro finance institutions - in basic business skills. This training enabled them to train interest groups (producers) on the ground. The major topics dealt with were: basic business and marketing concepts, risk management, records keeping, planning by using the Projected Income Statement (with which a possible profit or lost could be calculated), furthermore market linkages and monitoring and evaluation. The approach was to create an environment where there was a two-way stream. This was done by having regular practical assignments, group discussions, energizers and by appreciating and using the inputs of the participants during the training.

The second step was to train the actual interest groups/producers for two consecutive days. The freshly trained trainers of the TOT, although supported by the business mentor from Match Makers Associates (MMA), conducted the training. The content for the interest groups was similar to the TOT, although there were some simplification and the local language was used. The deputy manager of BERSMP was appointed, with back stopping of the business mentor, head trainer. A similar interactive approach with the participants (producers) was pursued and



highly appreciated; based on the evaluations at the end of the training and informal comments during the training.

On the last day - or two days if needed - the trainers, with back stopping of the business mentor, were sitting with the actual producers group and worked on their business plans. Based on existing business plans and new inputs a template was developed. During these three weeks this template was further improved, tailored and developed. This third phase started with a one hour TOT on BP writing, which enabled the TOT trainers to help the interest groups in developing their plan. The trainers were instructed to act as advisers. As to enable the producers groups to discuss, write and decide among themselves; this enabled them to really own their business plan. The trained trainers, i.e. working for financing institutions, were satisfied with the content of the BP template. A few weeks after the training the first business plans were already handed in.

During the evaluation of the Business training, with the extension workers, two points were brought up. First that this training should be a starting point for regular meetings (ones a month) between extension workers and the producer (groups); to support them in business and practical matters. Secondly it has to be realized that some of these businesses will not survive, groups can fall apart or strong competition forces them to stop etc.. This shouldn't de-motivate or surprise extension workers. If only a few of these businesses will be successful, it's bound to create a positive spin-off effect towards other businesses. A good example is a honey producer in Dello-Mena. All over the country individuals and local and international organization are visiting him. They are not only learning from him but it also is a roll model that a successful business is indeed feasible.

During the trainings both the extension workers and farmers were learning a great deal from each other. And although the importance of 'networking' hasn't been a topic in the training, it's an important aspect in business. Fortunately informally and valuable contacts (networks) were created and follow up appointments made. The BERSMP project has important material (i.e. training material and BP template) to continue training producer (groups) in the different Woreda.

Nevertheless some important gaps were exposed and notified during these trainings and they are listed underneath. These gaps were notified during certain training exercises, discussions and/or questions. However many of the underlining aspects (notified gaps) were dealt with in



the training and the coaching session (following the training) illustrated that quite issues were improved; this can be read in the second part of the report.



2.0 NOTIFIED GAPS BUSINESS TRAINING

The following gaps came out of the business trainings:

- 1) Lack of marketing knowledge and uses of marketing tools; matters like exploring different market outlets, gaining market information, using storage as marketing tools etc.
- 2) Lack of cooperation between the actors within and outside the Kebele. Currently the contrary is the case - there were even conflicts amongst the Kebele.
- 3) Still quite some illiteracy, which makes progress and adapting new methods difficult.
- 4) The adapting of new technologies takes time.
- 5) Before the training there was a lack of tools to make work plans or working schedules. The following quotation of a participant (producer) is striking in this matter: "before NGO's were telling us to plan but they never told us how. Now we finally have (*after the business training*) the simple tools to do that."
- 6) Unjustified mistrust of the middleman. However some middleman seems to misuse there market knowledge (and exploit the producers lack of market knowhow) and squeeze the farmers; some others aren't doing that.
- 7) General lack of a business attitude. Although the training might have changed this to a certain extent, it has to be realized that only 150 farmers were trained. This is only a fraction of the total amount. A strong and comprehensive follow-up is therefore needed.
- 8) Promised help from extension workers (NGO's, governmental staff, micro financing institutions etc.) was sometimes lacking, which de-motivates producers and interest groups.
- 9) Financial institutions are not offering enough ways to support the community and don't clearly show the way to get financial support. Moreover a financial support mechanism is missing to support individual forest producers.
- 10) Long term planning is hardly excising at farm level.
- 11) Cooperation between farmers is on a low level. With cooperation we don't necessarily mean forming a farmer group but also joint bulking of goods or jointly buying inputs etc.
- 12) Lack of time management, for example difficulty of combining different businesses.
- 13) A lack of knowledge from competitors.



3.0 NOTIFIED GAPS BUSINESS MENTORING

The different producers and producer groups were a month after the business training visited by the MMA consultant and key BERSMP and BFE staff. Especially in honey, but to a lesser extent in bamboo and coffee, changes due to the business training were visible. Several honey producers started calculating their future profit and loss; based on the PIS (taught during the training). Which formed a based for them to invested in (mainly the Kenyan) beehives. But also (coffee) traders used calculations to see what their profit and loss could be. Nevertheless an one-week training and a coaching session can only be seen as a start and not more than that. Important obstacles obviously still have to be overcome and a sustainable follow-up is therefore needed. In the description of the different actors, the main points are brought forward.

3.1 GOBA 31ST OF MARCH AND 1ST OF APRIL: Lulu, Sahelle and Girma Ayalew from BERSMP, microfinance representative and Marc - the business mentor from MMA.

Two stove producers – one group working in Goba town and a woman group working in the rural area of Goba Woreda.

Both stove producers are making similar but new sort of stoves. These new stoves only spill like 5 % of the heat, instead of the old ones losing 70 %; which means lower need of firewood. And as firewood is getting scarce, a market seems to be there. The producers in Goba town knew the detailed calculations about their costs and their average profit (margin) per stove; which was 12 birr. Although due to increasing prices of cement their profit margin might have decreased. Many NGO's are currently subsidizing or buying the stoves. For example GTZ is subsidizing consumers (farmers) for 20 birr, so it costs them only 45 birr to buy a stove; compared to the normal price of 65 birr. As the city producers are newcomers in the market they decided to sell at a lower price than competitors, which sell their stoves for 80 to 110 birr. To further reduce costs they modified their stoves, which made it more cost-effective to transport. In 2008 they wrote a business plan and applied for a loan of 50.000 ETB from BERSMP. But due to insufficient explanation about market demand and how to invest the money, their plan (loan) was rejected.

The stoves producers (woman group) in the rural area, supported by BERSMP (grant of 15.000 ETB), are still in the beginning phases. The woman group is producing but they didn't start selling. They expect that out of 2000 possible clients (the local population) 75 % of them they



will purchase their stoves. They based this on many personal requests and on the rational that the stoves reduce the amount of firewood needed; which seems feasible in a deforest area as theirs. Interestingly they compared their prices not with the local competitor but with outside producers. Their price setting is 75 ETB – which is higher than the town producers but lower than most other stove producers. There was no long-term plan to produce for other local areas. Moreover they struggled combining their other activities (running a shop and/or agricultural activities) with their stove business. Both groups hardly kept records or pre-calculated future profit or losses.

Main findings and follow up:

- 1) The stove producer in Goba should give their previous marketing plan more body by conducting market research; i.e. by interviewing key stakeholders and clients and gathering market information from the min. of Agriculture. Oromia credit and saving association and BERSMP and BFE can assist them in it.
- 2) Both groups should start keeping records as to learn from decisions in the past and improve their businesses in the future.
- 3) Pre-calculate the possible generated profit by using the Projected Income Statement (PIS). Its also a powerful tool to base future investments on. The staff of several support organizations (i.e. Oromia credit and saving association, BFE and BERSMP staff) was trained in it and can thus assist.
- 4) They should get a clearer picture of the (future) demand and anticipate that the current subsidies and interest of NGO's are not ever lasting. A long-term strategy should deal with that issue. Moreover a more conservative estimation of the demand is advisable as it this will prevent over-enthusiastic investments.
- 5) It's recommended for them to visit other stove producers in and outside Goba Woreda and see how they are doing their business; for how much are they selling, to which clients etc. This should be done by the producers themselves. Extension workers can, however, create awareness of the importance of knowing and learning from the competition.

The initial focus, for the extension workers (BERSMP, BFE, Oromia credit and saving association), should be on creating awareness and train these group in basic business skills.

Bamboo group – discussion with one-group member.



This bamboo group fell apart due to a lack of interest of all members but one. This remaining furniture maker is, even without his former group members, strongly pushing on. Although the micro finance institutions are only giving loans to groups of at least three persons, he is determent to continue alone and invest from his own earned money.

Tej house - meeting with the managing director of the Tej association.

The director stated that their direct competitors (private Tej houses) only boils their Tej¹ for 5 days and with the uses chemicals. They, nonetheless, boil it for 15 days without using any chemicals. This makes the quality of his Tej, according to him, better. He also stated that their Tej association is preferred by most consumers; also because his price is equal to the private Tej houses. He sells 1 liter for 6 birr and 330 cl for 5 birr. Their profit will be spend on real-estate, tree planting, agri-cultural land, going into the dairy market etc.

Tej consumption really depends on the successful of the farmers harvest. If successful, they will spend part of their freshly earned money on Tej but if the harvest was disappointing the farmers spend much less. The managing director had 12 business ideas in his mind but they are not worked out yet. He does state that 30% of his profit will be saved.

A lot of information on the market is lacking, moreover efforts to start collecting it seems limited. Moreover the owner had a Business plan in mind but it wasn't worked it out on paper. Also hardly any records were kept.

Main findings and follow-up:

- 1) Collection of market information by using the media (radio, TV and newspapers) and talking with key players in the sector - when visiting (for private or business purposes) other places - is advisable.
- 2) Learn from competition by seeing how other Tej houses, in or outside Goba Woreda, are working.
- 3) It's important for them to make a strategic plan, keep records and make sure to get a business plan on paper; it ought to give the organization more direction.

¹ Tej is a very popular Ethiopian honey drink.



- 4) Focusing on the product groups that they have experience with (honey), and be careful not to over-diversify.
- 5) If entering a new market, conduct a simple market research. When it seems to be an attractive market to embark up on, start on a modest scale and slowly learn the ins and outs. This will avoid losing large amounts of money and betting on the wrong horse.
- 6) Moreover calculate future profit or loss (by using PIS) and base your decision on that and the mentioned market information.

Oromia credit and saving association and the mentioned BERSMP and BFE staff can assist them, especially on point three, five and six. This should be a demand driven (requested by the Tej house), although the association should be aware of the willingness of the extension workers to provide their support.

Bale beauty nature club - meeting with one of the founders and active members of the club (Ayub).

The club owns 2.5 hectares in Goba Woreda and planned to use it as a facilitation for eco-tourism (lodges, restaurants etc.). However until that time it will be used as a nursery. These plans were the entry point of the discussion. Although they have plans for the site, it hasn't been worked out and a formal business plan (proposal) hasn't been submitted. The importance of focusing on a certain market segment and thus apply your facilities on it, wasn't clear to them. Neither was the way to go there.

In the low season the group was planning to use the land, for non-tourism purposes. They mentioned for example wedding ceremonies for the local community.

Main findings and follow up:

- a. General lack of knowledge of the requirements in the hospitality sector and thus bringing in a tourism and hospitality expert (ideally from tourist hot spots in Ethiopia i.e. Gondar or Lalibela) is highly recommended. The group could then start organizing their ideas and put it in a well-founded business plan. To get a well-founded business plan it's advisable to engage and discuss with private tour operators. In that way the requirements and the success factors of the market are known.



- b. There seems to be a lack of entrepreneurial drive, it might be risk avoiding behaviour. If this is their dream, as this member stated, risks need to be taken and efforts need to be put in to it. After some basic research they can start handing in a business proposal, to apply for a loan from support organizations. Moreover include some trustworthy, motivated, knowledgeable and enthusiastic partners in the group and exclude members who aren't.
- c. The momentum to enter and hand in a business plan seems to be there, as BERSMP, USAID and even commercial organization showed increasing interest in developing the area for eco-tourism. Engage with support agencies, USAID and BERSMP, and see how their ambition can fit in their plans.

As the group is very much in the initial stages, the group can be further supported by BERSMP (i.e. helping with collecting market info or connecting them with tour operators etc.) but the initiative should come from them. Moreover the first output, a comprehensive business plan also has to come from the Bale beauty nature club.

3.2 DELLO-MENA 2ND OF APRIL: Girma Ayele, Ben and Lulu from BERSMP, Mulugojjam from BFE and Marc - the business mentor from MMA.

Woman trading groups – meeting with 8 members incl. the chairpersons of the two groups.

As a starting capital both woman groups received a loan of 20.000 ETB from BERSMP; which had to be paid back in 6 months. The groups traded in coffee, honey, mango and avocado. The second group consists of 63 members but recently 30 members dropped out. The reason was that some members weren't contributing to the monthly fees. Afterwards they regretted their actions and wanted to return. The group was still discussing the matter.

Both groups had a system for saving: per month they saved 50 birr as a group and 5 birr per member. This started after following the business training. When profit increases, they planed to increase their saving.

A part of the group bought 600 kg of red cherry coffee and dried 300 kg of it. Their income, on the 300 kg dried coffee, was 2100 birr; with a profit of 1100 ETB. They returned the borrowed



money within the six-month period. Other groups decided to store their coffee and sell it at a later stage; as they expected the prices to rise.

Before selling their products both groups first talked with several potential buyers and then sold it to the highest bidder. If they think the price of the middleman is too low, they bring the product back and store it. Everyday they listened to the radio to get an update on the coffee prices. However records are not being kept and products are not bought on a group basis.

Within the groups there are three approaches:

- a. Buying unclean coffee and add value by drying, de-hulling and transporting it.
- b. Others decided only to dried the coffee (without de-hulling it) and then sell it the middleman/collectors.
- c. In the future they are planning to by-pass the middleman and sell directly to the supplier. To continue in a similar way they need more initial capital; as to buy more commodities. They considered their working capital as too low.

Main findings and follow-up:

- 1) To compare the different approaches and to evaluate what was more profitable, keeping records is very important; as this will guide them to the most profitable way. Moreover records give an insight in possible mistakes, which can thus be avoided in the future.
- 2) Its advisable to buy products in Bulk instead of on individual level, it provides stronger bargaining power and it should reduce the price of the purchased coffee.
- 3) Linking with market players like suppliers might be a good way to go. However only if it proofs to be more efficient than using a transporter (middleman). Creating a strong relationship can benefit the producer by getting market information and the buyer can also provide essential (financial and technology) inputs.
- 4) To increase their working capital they should apply for a longer loan and/or use the 50-30-20 rule of Farm. This should only be done when their business proposition includes re-investing a larger part of their profit.

Oromia credit and saving association and the mentioned BERSMP and BFE staff can assist them in providing the required working capital (based on previous pay back records and a good business proposition of the groups) and moreover extend the period for pay back. As stated the



group should re-invest larger amount of their profit in their activities and thus become more sustainable. More people should be trained in the importance of bulking, market information and record keeping by extension workers. The trained trainers of the business training, conducted by the MMA consultant, can do this.

Honey groups - discussion with the owners of three different groups

The technical training (provided by BERSMP) give them important knowledge on several technical issues (like putting the Kenyan beehive on a pole and using ashes to avoid ants to climb into the hives). From the business training they learned how to bring the product to the market, the importance of keeping records and to calculate possible profit. After the training they also plan to save a part of their profit (25 percent) and they started keeping records. To know the market prices they go to the market and collect information to see what the prices are. Besides producing honey, one group was also planning to buy honey from other producers.

Two groups put the management of the beehives on paper (working plan). The post harvest material (especially Jars or sacks) would be bought just during the honey-harvesting season; based on the produced yield.

Main findings and follow up:

- 1) Sticking to the plan of saving 25% is advisable as it might be important safety net for unexpected circumstances; for example to replace broken equipment or to pay for a unexpected hospital visit from a family member.
- 2) Besides talking to the key players on the market, they would increase their market knowledge if they would use the media (radio, TV and newspapers). Especially to be fully up to date on price fluctuations and to be able to have a more critical stand towards the middleman.
- 3) As the management of the Kenyan beehives is a new thing, the groups who weren't keeping records should really start; for reasons already mentioned.
- 4) It doesn't seem wise, though understandable, to wait that long with purchasing post harvest materials. First of all the prices of these materials will most likely be higher and the storing materials might not be available at all. BERSMP/BFE staff (or other external advisors supported by BERSMP) can advice on good packaging



material to use. Instead of using fertilizer bags, which are damaging the quality of the honey. Moreover use the PIS to calculate the possible yield, BERSMP can support in that.

- 5) Learning from each other (and competition) is crucial, especially as all the groups are new in the bee-business. See if goods can be jointly bought and sold; higher volumes provides higher bargaining power and more market outlets.

Especially on the fourth point BERSMP/BFE can make a difference, by offering support and see if a external adviser (supported by BERSMP) can advise (train) the groups in good post harvest handling.

3.3 HARRENNNA BULLUK 3RD OF APRIL: Haptamu, Ben and Lulu (BERSMP) and Marc - the business mentor from MMA.

Bamboo group - discussion with the chairman and three other members.

This group just attained the legal status of an enterprise. Ten people are working for this enterprise. Five of them attended the business training and five new ones joined after. They are the first group, after the business training, which handed in their business plan. Not only was the plan approved but a part of the loan was already invested. The remaining part of the finance, 30% from BERSMP, was coming. They made use of the 20-30-50 rule; 20% own money, 50 % loan from Oromia credit and saving institute and a 30 % grant from BERSMP.

A work plan was made and two days a week were allocated for making bamboo furniture. To transfer the knowledge of the experienced staff to the new ones, they linked an experienced to an inexperienced worker. Moreover there had regular informal discussions about the newly attained (business) knowledge and how to apply it. They invested their money to buy a generator, equipment (like electric hand drill) and the raw bamboo.

For example the purchase of an electric drill, instead of a hand drill, was a deliberate chose. The electric drill increased the quality of their products, its makes their work more efficient and foremost their products are more reliable. Which more than compensated the higher costs for the electric drill.



They base their future demand on standing orders (within their Woreda) and they produce accordingly. They decided to start the first year on a modest scale; because they are not sure about the quality (although they are confident about it), the problems when producing, the demand etc. They acknowledged and identified two major competing products; wooden and plastic furniture's. They regard the quality of their furniture as equally (if not better) than wood but they priced their furniture's 20 % under the price of wooden furniture. The quality of bamboo was regarded as superior compared to plastic furniture and thus their bamboo furniture has a similar price as to plastic furniture. For example their bamboo sofa is 120 birr, the wooden one 150 birr and the plastic ones is also 120 ETB. Their price setting is based on the mentioned competition and price setting given on bamboo trainings (provided by BERSMP).

The costs for making bamboo furniture are also lower compared to plastic and wood. First of all bamboo doesn't need nails for their furniture, moreover wood furniture is illegal and plastic furniture has to be transported from Addis; which is expensive.

Main findings and follow-up:

- a. The potential demand is most likely higher than only the standing orders. So it's important to identify the sort of people who are interested in the products (old, young, poor, rich, families etc.). Making a sort of consumer profile will give an indication about the potential demand and a more realistic basis for their future investments. Especially when the first year is a success and the product is indeed delivering the quality consumers are expecting. Half way the first year, the group could start planning the possible demand, for the coming years and prepare possible expansion plans.
- b. If the mentioned market demand is not known, than starting on a modest scale is a realistic and wise chose; especially as the group embarks in a new market and the product is fairly unknown. To have a lower price than the wooden furniture (biggest competitors) seems to be a wise chose and they might even consider being a bit cheaper than the plastic ones. Mostly because as newcomers they will have to fight themselves in to the market.
- c. The uses of written calculations (PIS), to know if their investments might be profitable or not, is strongly advisable.
- d. Every few months a meeting between the group and BERSMP staff can be arranged, as to go throw the records, work plans and PIS and evaluate it. It should, however, be



- valued and demanded by these furniture makers. Moreover than records can be uses to monitor the ongoing activities.
- e. The group didn't have a saving scheme and saving proved to be a powerful tool for re-investment and a buffer for unexpected business or private situations; which increases the overall profitability of an enterprise.
 - f. The group didn't think about what to do with their future earnings. It's advised to make a written plan how to invest the possible profit (calculated with the PIS) and to make it inline with their vision on their business.
 - g. If the group members are in Robe, Goba or other place in Ethiopia, they shouldn't hesitate to see what competitors are doing and learn from them; on product development, production techniques, price setting etc.
 - h. Product development should be, at least after the first year, an integral part of their business. The space on their land can be an opportunity to show new products and ideas; like a Western furniture boulevard. Listen good to consumer's comments and look around you for ideas.

Although this group is well underway, some issues haven't been thought threw, especially a lack of (long term) planning. If demanded by this enterprise, BERSMP can support the group by having consultation meetings, to advice on how to keep and use records, how to set up long term plan, conduct a simple market research etc.

Honey trading group - a meeting was held with five members of a woman group incl. the chairperson.

This group got a 20.000 ETB loan (from BERSMP) to start their business. The total group consists of 86 members but only 12 members are trading in coffee and 8 in honey. 20.000 ETB was spent and 12.000 profit was generated. The profit was distributed among the different members.

They also, like the woman trading groups in Dello Mena, went first to the market to find out who is offering the best price. They mostly sell their products to traders. They save 5 birr per month and 120 birr per each six months. They currently sell their honey in crude form, as they haven't got a separating machine yet. This machine will be provided by BERSMP and will give them



the change to add value by separating the honey and the wax. A part of the honey was sold to BFE (BERSMP) and the other part to traders.

The selling period (production time) is between March and June. This group meets every week during honey and coffee production time and in low season they meet ones every two weeks or month.

Regarding the coffee some are drying and de-husking the coffee and others sell the coffee without adding value. They use a storage to speculate on coffee prices. For honey they haven't got a storage.

Main findings and follow-up:

- a. They indicated themselves that technical assistance, for using the separating machine, is needed. This is a concrete point were extension workers (BERSMP) can support.
- b. With some small measures the group can significantly increase their market knowledge and thus adjust their prices on it (or store it a bit longer); with a higher profit as possible result. They can talk with some experts, listen to the radio and/or TV, read the newspaper and get information from traders in other markets. It might be interesting to discover if supplying directly to a supplier, by bypassing the middleman, might be more profitable.
- c. For honey they should also use a storage room, which gives them the space to sell their product on a, for them, suitable moment.
- d. Re-invest part of the profit, instead of distributing all the profit to the individual members. Moreover keep up the saving scheme.
- e. Buying the coffee and honey in Bulk, instead of in individual bases, will most likely decreases their costs.

BERSMP and other extension organization can offer support with gathering market knowledge and profit concrete help on the first point raised.

Coffee trading group - a discussion was held with 8 members of a woman group (from Shave area), incl. the chairperson of the group.



The group is part of 86 members and the interviewed subgroup consisted of 20 members. All twenty bought coffee (with a 20.000 ETB loan from BERSMP) and 10 of them immediately sold their coffee to a willing buyer. The other 10 stored the coffee, because they expected the prices to go up and thus fetch a higher price. Moreover these last 10 members processed the coffee (adding value by dehulling).

The profits were distributed amongst the individual group members and spend in various ways. The Ox was seen as a steady investment and it will be sold when the coffee-harvesting season starts again. This group also saved a part of their profit (around 10 to 20%) and they deposited the money on a bank. They also saved 2 birr per month per member; in total they had saved 2500 ETB.

They sold their products in Dello Mena and Angetu (biggest place in Harenna Bulluk). They first ask around what the prices of the different town dwellers were and than sold it to the higher bidder. However a part of their products were directly sold to the supplier, hereby avoiding these middle man/town dwellers. This supplier gave them the freedom to look around for buyers with better prices but quite often their prices were more attractive. Which brought the group more often than not back to this supplier. The supplier had the added advantage of providing them with important knowledge on how to dry the coffee and identify the cherries good color. This increased the knowledge of the women's to recognize and buy the good clear red cherry.

The group members had regularly meetings, around twice a month. They stated that they worked full time on coffee (during that harvesting time) and full time on honey (during honey production time).

Main findings and follow-up:

- a. Keeping records on an individual and collective level is highly recommended and BERSMP staff can be of assistance. Among other things these records provide an already mentioned opportunity to compare profitability of the two strategies (buying and selling straightaway or adding value and storing the coffee).
- b. It seems wise to first calculate the possible profitability, with the PIS, before entering a new market (which they were considering).



- c. To increase the starting capital, part of the profit should be kept in a collective pot. For example 50% of this profit can be used for future investments (as a group) and the other half for individuals. Higher starting capital will provide more consistency (investment possibilities) in the organization. At that time the profit was divided among the individual members and most money was spend for individual purposes and the sustainability of their business came in danger.
- d. Keeping a strong relationship with the supplier is certainly recommended, especially because both parties seem to benefit from the cooperation. The supplier will get better coffee (which will lower his costs) and by informing the woman group about their quality requirements and how to do that, the supplier enables the woman group to make better coffee and thus increases their selling price and income.
- e. The uses of market information, not only to decide the selling price but also the prices for inputs, are on a low level. The uses of media like radio, TV and newspapers (magazines) and extension workers should thus be further encouraged.

Although there were very promising signs, i.e. strong cooperation with suppliers and uses of marketing tools, there also were obstacles to overcome. The initial focus should be to provide a continuous starting capital on group level, to keep their activities sustainable. Providing additional loans (Oromia credit and saving institute in cooperation with BERSMP) can give this process a further boost. However this will be fruitless if there isn't a training and guidance on how to use the money, as to create a constant money flow. BERSMP could play a leading roll in it.

3.4 NENSEBO 6TH AND 7TH OF APRIL: with Getachew and Lulu (BERSMP), Endiyo (BFE), and Marc - the business mentor from MMA

Honey producer group – coaching session in the low lands of Nensebo woreda with five members; incl. chairman.

The MMA business training gave them important knowledge and practical tools, which prepared for next season.² Based on calculation learned from this training, every group

² As Nensebo only can only process honey ones a year, compared to most other Woreda who can produce two times a years, they will have to wait until 2010 for their next harvest.



member felt confident to invest in producing ten Kenyan beehives. They furthermore started working (diversification) on bamboo seedling.

They worked every Friday on their hives (apiary) and they already had a plan for next season. Moreover they learned a lot from a field visit in the South-West of Ethiopia. Based on this learning experience they bought traditional beehives with bees already in them and brought them to the Kenyan beehives. Although further training techniques on how to transfer bee colonies to transitional (Kenyan) beehives were seen as important.

They were keeping records (i.e. on costs) and already did some calculations on their possible profit and losses. Interestingly they were also planning to plant *HIPERICUM* plants as to make *HIPERICUM* honey, due to its scarcity this specialty honey is in huge demand. They planned to use their profit to improve their lives, by building new houses etc. They didn't think about re-investing or saving their profit.

They planned to sell their honey in a small city of Dodola (which is rather close by, especially compared to honey producers from the Nensebo highlands) but also in the local market. As they recently learned how to separate the wax from the raw honey, the groups wanted to sell this wax and honey on the national market. Their plan was to talk with potential buyers when they produced and collected the honey.

Main findings and follow-up:

1. Although the group indicated to keep records and calculations, support from BERSMP (in cooperation micro-finance institutions) could help them use the information more effectively. This ought to result in better business decisions.
2. Techniques to get bee colonies into a transitional (Kenyan) beehives are crucial for the beekeepers success. In the project areas BERSMP already played a leading role in transferring technical knowledge to the beekeepers, this would clearly fall in that street. As BERSMP had a honey expert informing beekeepers, he would be the perfect person to train/inform beekeepers on the mentioned issue.
3. To start talking with potential buyers when the honey is already produced, seems to be too late. Because markets might then be overlooked or the buyers requirements are not enough known etc. A simple market research, which gives an idea of the best market outlet (prices), can significantly increase their profitability. Identifying a market



- doesn't have to take so much time and it can be done by listening to the radio, newspaper and foremost talk with key informants in the local and regional (Bale) market.
4. Also look what other beekeepers are doing and learn from them. This is important for their pricing, keeping up with new technologies and techniques and the identification of the markets.
 5. They might consider linking themselves directly to a supplier, like the coffee traders in Harena Bulluk were doing. It has several advantages: secured market, good price, market information and help with improved inputs (if needed).
 6. Part of being an (successful) enterprise is investing in your own business, as to further develop it. So the group has to be careful of spending too much of their profit on private ventures (like building a new house).
 7. A related issue is saving. As stated before saving is crucial to be prepared for unexpected circumstances. For example if you have no money to bring your daughter to a hospital, you might be forced to sell your honey in a premature phase. This might result in lower quality, with lower prices as an effect and lower prices means lower profit. Savings can avoid or at least reduce these situations.
 8. Buying more in Bulk will probably reduce their costs.
 9. The post-harvest materials and handling were overlooked but are crucial for the quality and thus for the selling price of the group. It important to use clean and strong bags.

The support from extension workers should focus on financial and marketing matters, regular informative meetings with interested groups might give them bigger insight in these matters. Moreover BERSMP and micro-finance institutions can provide a special follow-up training, focusing on financial issues.

Honey producers - discussion with three honey producers (in the high land of Nensebo).

Out of these three producers only one really started. Since the BERSMP financed business training, among other things, the producer started calculating future profit and losses. On that basis he obtained 6 modern beehives, 10 traditional ones and 10 transitional hives. Before the business training he had only one beehive.



This producer could clearly explain how he managed his beehives. He was especially interested in the modern beehives, he calculated that the potential yield could go up to 60 kg of honey. To get bees into the transitional and modern beehives he adapted two successful methods; which he learned from a field visit in Kenyan. One method is diggin a hole of 40 cm deep, add wax in the hole (from a specific tree), make a fence and than start smoking. The second one is to hang the traditional beehive in the tree and catch them and bring them to the ground. With the rational that bees notice the higher beehives sooner than the lower ones (Kenyan and/or modern beehives).

Although he focuses on honey, he is also engaged in coffee; which diversifies his product line. His future plans were to build 50 Kenyan beehives. As stated before he calculated his possible profit or loss and he compared the three sort of beehives which each other. It became clear to him that the modern beehive and the Kenyan had the biggest potential. Although the modern beehive had the highest yield, the Kenyan beehive could be made from local material and is therefore much cheaper and easier to produce and thus to start with.

His business plan is already written and he also planned to start working in a group (besides his own bee enterprise).

Profit spending:

- a. 72 % of his profit will be re-invested in beekeeping.
- b. 10 % will be invested in other businesses.
- c. He planned to save 5 %.
- d. He planned to use 10% for private issues.
- e. He planned to support disabled and elderly people: 3 %.

This entrepreneur is also keeping monthly records of all his incoming and outgoing money. He is ahead compared to other (visited) entrepreneurs in the four woreda's.

Also the different market outlets/options were carefully scanned. He studied market prices at the different market segments (Dodola, Shashamane etc.) and through radio and other media and talking with potential buyers he further informs himself.

Main findings and follow-up:



1. If possible other producers should be encouraged to work closely with him and thus learn from him.
2. Although many things are covered, the importance of using good post harvesting material and handling were overlooked.
3. The uses of storage as a marketing tool, hasn't been included. As already stated, storage is a powerful tool to speculate on market prices.

BERSMP can support in setting up of this new honey group/enterprise, however this should really be demand driven process. Moreover BERSMP could, with the approval of the entrepreneur, organize small-scale work visits for others to visit his enterprise. Although it seems to be wise to wait after this enterprise has proven itself, after the first harvesting season for example.

Cooperative and private coffee producer – this discussion was held with two members of the coffee cooperative and with one private coffee producer.

Private coffee producer

This producer just started to prepare his land for 400 new seedlings (2009); he has attained good management practices from the BERSMP economics trainings. He was running the enterprise by himself. He planned to sell to individual buyers and most likely also to the cooperative. To be sure which market to embark on, he first started talking with some traders, buyers and other experts.

Coffee cooperative

This cooperative has seventeen members, they owned a coffee washing machine, several stores and a coffee dehulling machine and they sold directly to the Oromia coffee union (who sold mostly of it on the international market). They planned to use their profit to purchase new drying beds, re-invest in other “things” and moreover they planned to save 10% of their profit. Although there was quite some money coming in and out of the organization, they didn't have a written plan for the future, neither were they keeping records or calculating future profit or losses.

The ‘Gibe coffee marketing group’ (competitor) was determining the prices and most of the time they follow their lead. The selling price was fixed (with coffee union) although it also



depended on how it was graded on the national coffee auction. Mostly they bought their coffee from fixed client (buyers) but if they needed more quantity they also bought from other farmers.

Main findings and follow-up - for both the group as the individual producer.

1. It's advised for them to start making future plans, keeping records and make PIS to estimate possible future profit or losses. This will all provide them with the information to make well-funded business decisions.
2. For keeping records it might be useful for the group to discuss with the BERSMP staff and go through the records and show how these records can be effectively put to use. When the producers are informed of BERSMP willingness to support, it's up to them to request it.
3. Make sure they gain more information on the market; by listen to the radio, reading the newspapers, and talking with key players and extension workers.
4. Due to the BERSMP technical and business training they became interested in investing in honey. Applying for a loan, with the 20-30-50 rule, might give them a starting capital for their future honey activities; however handing in a sound business plan is a precondition.

Especially by offering financial support (20-30-50 agreement), creating awareness of the important marketing tools and offering support in the above mentioned area's BERSMP could make their impact.

Bamboo group Garambame – a meeting with two group members.

The group started ones, after the bamboo training of BERSMP, with five members but immediately after that three members dropped out. One of the 'drop-outs' was more interested in beekeeping and the other two went into the army. However this set back, the two remaining members were still keen to continue.

They realize that they needed to reorganize themselves and recruit new-dedicated members. A local bar owner, who hosted this meeting, offered to use part of his land and building. One of the advantages is that it was close to the road and there was considerable space (land) to set up their bamboo future business.



Due to do a six-month practical training they learned the necessary skills to make bamboo furniture in a new and innovative way. The business training equipped them with business and management concepts and practical tools to improve their business; both trainings were financed by BERSMP.

Due to the sudden departure of three group members, aspects like gaining market knowledge, organizational set-up etc. all came to a sudden stand still. As the enterprise was yet to be set up, the group needs to keep some general aspects in mind. Among other things the advice is based on previous discussions / coaching sessions with the bamboo groups in Goba and Harena Bulluk:

1. Make a sort of profile of your clients, i.e. by talking to experts in the furniture sector and potential buyers. This will give an indication of the potential demand and can be used to base your future investments on.
2. Starting on a modest scale seemed to be a wise start, especially for a new bamboo enterprise entering a new market. To be competitive it's recommended to start with a lower price than the wooden and plastic furniture's (the biggest competitors).
3. Use written calculations to base investments on. Among other things it will give an insight if investments might be worth doing (profitable) or not.
4. Together with BERSMP staff a meeting, if required by the group, to go through the records, work plans and PIS. Moreover to evaluate it and together seek for solutions for possible blockades.
5. The importance of saving can't be over emphasized.
6. Make a written plan how to invest the possible profit.
7. If group members are in Dodola, Shashamendi or other place in Ethiopia (for private of business reasons), don't hesitate to see what competitors are doing and learn from them. Issues like product development, production techniques, price setting etc.

When the group is firmly established, by their own means, demand-driven support from BERSMP - on the above-mentioned terrains - can be offered. Moreover if the group need support in other ways, for example finding new and qualified staff, BERSMP staff members are able to support.



4.0 FOLLOW-UP STRATEGIES BERMSP AND BFE

Based on the findings of the business training and mentoring the following main follow-up strategy steps are recommended:

1. First of all the business training provided by the MMA consultant should have a follow-up with a broader range; as only 30-50 farmers per Woreda were trained. Local extension workers can give a similar training, every month or two months, for a wider and interested audience. Per Woreda the MMA consultant had trained around ten extension workers. They were trained to train farmers in basic business skills (TOT) and thus are equipped to provide these trainings.
2. One of the outcomes of the coaching and training session was the great learning curve between the different business groups/producers. An annual business meeting between forest entrepreneurs, in the different Woreda, might be a way to institutionalize and continue this process. A low profile forum can be organized to enable them to share experiences, introduce new products, discuss crosscutting issues etc. Although this can be initiated by BERSMP and/or other extension organizations, the entrepreneurs should value and request it. Moreover after this first initiative the entrepreneurs should organize it themselves and if needed BERSMP can offer a helping hand.
3. Although only a few groups or individual producers went on a field visit, they learned a great deal from it. BERSMP could organize these trips within the country or if necessary abroad. It's important that the farmers see the added value of these field visits and request to be part of it. So it's recommended to make the trip as demand driven as possible but at the same time inform the farmers about the possibility for them to go on a fieldtrip.
4. Also different sort of trainings could be offered, in topics like basic leadership and/or management of producer groups. The followed approach for the basic business training - training the extension workers to become the trainers, which enabled them to train the farmers (groups) - will be advised.
5. The business training and coaching showed that competent extension providers are there: the Oromia saving and credit association, the regional districts and local authorities and sector specific organizations like the association of honey processors and exporters and several others. Cooperation between BERSMP/BFE and the mentioned extension providers – for example in providing trainings, coaching sessions and other activities - should be further developed. Also because BERSMP will eventually face out and the private and public sector, who are there to stay, need to be enabled to take over.



6. Quite some outcomes of the individual groups and producers were cross cutting issues. Although more cross cutting came issues out of the training and mentoring, underneath the four most important points are highlighted:
- a. Groups shouldn't over invest but neither under invest (both cases were seen). A basic **market research** can indicate a realistic market potential and the PIS can show what the investment options are. Based on that business decisions can be made. Keeping **records** has also proven to be a powerful tool to learn from mistakes and make future business decisions on.
 - b. The **post-harvest materials** and handling were grossly overlooked but are crucial for the quality and thus for the selling price of the product; think of the uses of clean and strong bags. For example instead of using fertilizer bags, use clean and strong plastic containers to transport honey.
 - c. However many actors have started a **saving scheme**, many other have not and the importance of it can't overemphasized.
 - d. Continues **technical support**, for example in transferring bees in to the transitional and modern beehives, is an important elements for BERSMP to follow up.